

Michigan Department of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF MCMILLAN	County ONTONAGON
Audit Date 3/31/05	Opinion Date 9/25/05	Date Accountant Report Submitted to State: 10/5/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

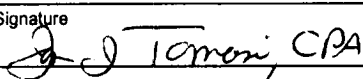
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No
1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No
2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No
3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No
4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No
5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No
6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No
7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No
8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No
9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) JON J. TOMASI, CPA			
Street Address 208 BIRCH STREET	City BERGLAND	State MI	ZIP 49910
Accountant Signature 			Date 10/5/05

TOWNSHIP OF McMILLAN - EWEN, MICHIGAN
ONTONAGON COUNTY
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
PREPARED IN ACCORDANCE WITH GASB 34

March 31, 2005

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan as of and for the year ended March 31, 2005 which collectively comprise the Township's basic financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Township of McMillan as of March 31, 2005, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

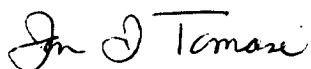
In accordance with *Government Auditing Standards*, I have also issued my report dated September 25, 2005, on my consideration of the Township of McMillan's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

As described in Note 1, the township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis- for State and Local Governments*. As of March 31, 2005.

The administration's discussion and analysis and budgetary comparison information (identified in the Table of Contents) are not a required part of the basic financial statements, but are supplementary information required by *Government Accounting Standards Board* and by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Township of McMillan's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant
Bergland, Michigan
September 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of McMillan's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplementary Information" section of this report.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Fund is presented in both the government-wide financial

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN

statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and the Jensen Trust Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Primary Government		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and other assets	\$ 32,693	\$ 180,227	\$ 212,920
Capital Assets, net	<u>112,048</u>	<u>3,116,957</u>	<u>3,229,005</u>
Total Assets	\$ 144,741	\$ 3,297,184	\$ 3,441,925
LIABILITIES			
Current Liabilities	41,499	20,183	61,682
Non-Current Liabilities	<u> </u>	<u>868,000</u>	<u>868,000</u>
Total Liabilities	41,499	888,183	929,682

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN

NET ASSETS

Investment in capital assets			
Net of related debt	112,048	2,165,198	2,277,246
Restricted		71,926	71,926
Unrestricted	<u>(8,806)</u>	<u>171,877</u>	<u>163,071</u>
Total Net Assets	\$103,242	\$2,409,001	\$2,512,243

For governmental activities, net assets decreased by \$4,642 during the fiscal year. For business-type activities, net assets increased by \$57,588 during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Revenue:			
Program Revenue:	23,849		23,849
Charges for services	8,360	256,878	265,238
General Revenue:			
Property taxes	70,190		70,190
Other Income	1,995		1,995
Unrestricted Grants	<u>48,689</u>		<u>48,689</u>
Total Revenue	153,083	256,878	409,961
Expenses:			
General Government	49,479		49,479
Public Safety	25,272		25,272
Public Works	30,558		30,558
Health and Welfare			
Recreation and Culture	39,206		39,206
Other	<u>13,210</u>		<u>13,210</u>
Total Expenses	157,725		157,725
Business-Type Activities		199,290	199,290
Water and Sewer			
Total Expenses			
Increase (Decrease) in Net Assets	(4,642)	57,588	52,946
Net Assets Beginning of Year	<u>107,884</u>	<u>2,351,413</u>	<u>2,459,297</u>
Net Assets, End of Year	\$103,242	\$2,409,001	\$2,512,243

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN

Governmental Activities

Property taxes and other tax revenues comprise \$70,190 or approximately 46 percent of total governmental revenues. The township also collected \$8,360 for services provided. And, at year end the Township reported \$48,689 in grants not restricted for specific purposes. This amount was due to revenue sharing from State of Michigan and comprises 32% of total governmental revenues.

The Township expended \$157,725 on governmental programs and services. Some of the largest expense categories were for general government where \$49,479 or 32% of total governmental expenditures were reported. Recreation and Culture expenditures amounted to 23% of the total governmental expenditures.

Business-Type Activities

Business-Type activities increased the Township's net assets by \$57,588. Charges for services for water and sewer activities for the year were \$256,878 and expenditures amounted to \$199,290. The reason for the increase was construction grant monies of \$106,500 being included in income for the year. Without this there would have been a reduction in net assets for the year.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental fund reported an ending fund deficit of \$8,806. The Township reduced its accumulated deficit by \$6,589 (43%) during the year.

On the budgetary basis of accounting, the Township ended the year with revenue 47% greater than the budget and expenditures 19% less than the budgeted amount. Only one negative expenditure variance was recorded for Culture and Recreation. The Township however did have a negative budget for the fiscal year.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MCMILLAN

Unrestricted net assets of the Water and Sewer Fund at year-end were \$2,165,198, \$3,045,031 of the Water and Sewer Fund equity was invested in capital assets, and \$71,926 was held on restricted accounts.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2004 was \$3,157,079.

Major capital events during the current fiscal year included the completion of the sewer construction project which added \$106,499 to the asset values.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of McMillan
P.O. Box 267
Ewen, MI 49925

TOWNSHIP OF MCMILLAN

STATEMENT OF NET ASSETS
For the year ended March 31, 2005

	Primary Government Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents		\$116,304	\$116,304
Investments			
Receivables (Net)	\$32,693	44,807	77,500
Due from Other Funds		19,116	19,116
Inventories			
TOTAL CURRENT ASSETS	32,693	180,227	212,920
NON-CURRENT ASSETS			
Cash Reserves		71,926	71,926
Capital Assets--Net	112,048	3,045,031	3,157,079
TOTAL NON-CURRENT ASSETS	112,048	3,116,957	3,229,005
TOTAL ASSETS	144,741	3,297,184	3,441,925
LIABILITIES			
Accounts Payable	23,199	1,747	24,946
Accrued Other Liabilities	3,912	11,833	15,745
Due to Other Funds	12,513	6,603	19,116
Deferred Revenue	1,875		1,875
TOTAL CURRENT LIABILITIES	41,499	20,183	61,682
NON-CURRENT LIABILITIES			
Due Within One Year		18,000	18,000
Due in More Than One Year		850,000	850,000
TOTAL NON-CURRENT LIABILITIES		868,000	868,000
TOTAL LIABILITIES	41,499	888,183	929,682
NET ASSETS			
Invested in Capital Assets--Net of Related Debt	112,048	2,165,198	2,277,246
Restricted-Debt Service		71,926	71,926
Unrestricted	(8,806)	171,877	163,071
TOTAL NET ASSETS	\$103,242	\$2,409,001	\$2,512,243

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Asset			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
General Government	\$49,479	\$2,177			(\$47,302)		(\$47,302)	
Public Safety	25,272	3,513			(21,759)		(21,759)	
Public Works	30,558				(30,558)		(30,558)	
Health and Welfare								
Community and Economic Development								
Recreation and Culture	39,206	2,670	23,849		(12,687)		(12,687)	
Other	13,210				(13,210)		(13,210)	
Total Governmental Activities	157,725	8,360	23,849		(125,516)		(125,516)	
Business-Type Activities								
Water and Sewer	199,290	256,878				57,588	57,588	57,588
Total Primary Government	357,015	265,238	23,849		(125,516)	57,588	(67,922)	
General Revenues								
Property Taxes					70,190		70,190	
State-Shared Revenues					48,689		48,689	
Unrestricted Investment Earnings								
Right of Way Funds					1,995		1,995	
Total General Revenues					120,874		120,874	
Change in Net Assets					(4,642)	57,588	52,946	
Net Assets--Beginning					107,884	2,351,413	2,459,297	
Net Assets--Ending					\$103,242	\$2,409,001	\$2,512,243	

The notes to Financial Statements are an integral part of this statement

TOWNSHIP OF MCMILLAN
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2005

	General Fund	Totals Governmental Funds
<hr/>		
ASSETS		
Cash and Equivalents		
Investments		
Receivables--Net	32,693	32,693
Due from Other Funds		
Receivable from Other Governments		
Inventories		
 TOTAL ASSETS	<hr/> 32,693	<hr/> 32,693
LIABILITIES		
Accounts payable	27,111	27,111
Due to Other Funds	12,513	12,513
Payable to Other Governments		
Deferred Revenue	1,875	1,875
 TOTAL LIABILITIES	<hr/> 41,499	<hr/> 41,499
FUND BALANCES		
Unreserved	(8,806)	(8,806)
 TOTAL FUND BALANCE	<hr/> (8,806)	<hr/> (8,806)
TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$32,693	<hr/> \$32,693

The notes to the Financial Statements are an integral part of this report

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

Total Fund Balances for Governmental Funds	(\$8,806)
<i>Amounts reported for governmental activities in this statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	112,048
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$103,242</u>

The notes to the Financial Statements are an integral part of this report

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended March 31, 2005

	General Fund	Totals Governmental Funds
REVENUES		
Taxes	\$70,190	\$70,190
Licenses and permits	2,387	2,387
State grants	54,725	54,725
Charges for services	1,501	1,501
Interest and rentals	550	550
Other	23,730	23,730
TOTAL REVENUES	153,083	153,083
EXPENDITURES		
Legislative	1,800	1,800
General government	46,989	46,989
Public safety	17,377	17,377
Public works	30,156	30,156
Health and welfare		
Culture and recreation	36,962	36,962
Capital outlay		
Contingency		
Other	13,210	13,210
Miscellaneous		
TOTAL EXPENDITURES	146,494	146,494
EXCESS OF REVENUE (EXPENDITURES)	6,589	6,589
OTHER FINANCING SOURCES (USES)		
CHANGE IN FUND BALANCE	6,589	6,589
FUND BALANCE APRIL 1, 2004	(15,395)	(15,395)
FUND BALANCE MARCH 31, 2005	(8,806)	(8,806)

The notes to Financial Statements are an integral part of this statement

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended March 31, 2005

Net Change in Fund Balance-Total Governmental Funds	\$6,589
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*Amounts reported for governmental activities in this statement
of net assets are different because:*

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these assets is allocated over
their estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceed depreciation in the current period.

Capital Outlays		
Depreciation Expense	(11,231)	
Other		(11,231)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$4,642)
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The notes to the Financial Statements are an integral part of this report

TOWNSHIP OF MCMILLAN
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 March 31, 2005

	Business-Type Activities Enterprise Funds
	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$116,304
Cash and cash equivalents-restricted	71,926
Accounts receivable, net	44,807
Due from other funds	19,116
TOTAL CURRENT ASSETS	<u>252,153</u>
Non-current Assets:	
Utility Plant in Service-Water	1,478,405
Utility Plant in Service-Sewer	2,194,048
Building and Structures	24,042
Equipment	49,300
Accumulated Depreciation	(700,764)
TOTAL NON-CURRENT ASSETS	<u>3,045,031</u>
TOTAL ASSETS	<u>3,297,184</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,747
Due to other Funds	6,603
Accrued Interest Payable	11,833
Current Portion of Noncurrent Liabilities	18,000
TOTAL CURRENT LIABILITIES	<u>38,183</u>
Non-current Liabilities:	
Bonds and Loans Payable	850,000
TOTAL NONCURRENT LIABILITIES	<u>850,000</u>
TOTAL LIABILITIES	<u>888,183</u>
NET ASSETS:	
Invested in capital assets net of related debt	2,165,198
Restricted-debt service	71,926
Unrestricted	171,877
TOTAL NET ASSETS	<u>2,409,001</u>

The notes to financial statements are an integral part of these statements

TOWNSHIP OF MCMILLAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the fiscal year ended March 31, 2005

	Business-Type Activities Enterprise Funds Water and Sewer Fund
OPERATING REVENUES	
Charges for services (net)	\$130,640
Other operating revenue	3,600
TOTAL OPERATING REVENUES	134,240
OPERATING EXPENSES	
Operating expenses	75,071
Depreciation	84,282
TOTAL OPERATING EXPENSES	159,353
OPERATING INCOME (LOSS)	(25,113)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	425
Equipment Reimbursement	15,713
Construction Grant	106,500
Interest Expense	(39,937)
TOTAL NON-OPERATING REVENUES (EXPENSES)	82,701
INCOME (LOSS) BEFORE TRANSFERS	57,588
CHANGE IN NET ASSETS	57,588
NET ASSETS, APRIL 1, BEFORE RESTATEMENT	384,402
ADD:	
Cumulative Effect of a Change in Accounting Principles	1,967,011
NET ASSETS, APRIL 1, AFTER RESTATEMENT	\$2,351,413
NET ASSETS, END OF YEAR	\$2,409,001

The notes to financial statements are an integral part of these statements

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPE
TOWNSHIP OF McMILLAN
Year ended March 31, 2005

Cash flows from operating activities:	
Cash received from customers	\$126,278
Cash paid to suppliers	(93,596)
Payments to employees	(20,360)
Internal Activity-Payments to Other Funds	(12,513)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(191)
Cash flows from capital and related financial activities:	
Construction Grant	106,500
Principle and Interest on Long Term Debt	(57,937)
Equipment Reimbursement	15,713
Construcion of Utility Plant	(72,499)
	(8,223)
Cash flows from investing activities-interest earned	
	425
NET INCREASE IN CASH	(7,989)
Cash at Beginning of Year	196,219
CASH AT END OF YEAR	\$188,230
Balance Sheet Classification of Cash and Cash Equivalents	
Demand deposits and savings	\$103,857
Restricted Cash	84,373
Total cash and cash equivalents	\$188,230
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating Loss	(\$25,113)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	84,282
Changes in Assets and Liabilities	
Customer Accounts Receivable	(7,962)
Due from Other Funds	(2,255)
Accounts Payable	(38,885)
Due Other Funds	(10,258)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(\$191)

The notes to financial statements are an integral part of this statement

TOWNSHIP OF MCMILLAN

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2005

ASSETS	
Cash and cash equivalents	\$41,454
<hr/>	
TOTAL ASSETS	<u>\$41,454</u>
LIABILITIES	
Due to other funds	\$25,047
Fund Balance	<u>16,407</u>
<hr/>	
TOTAL LIABILITIES	<u>\$41,454</u>

The notes to financial statements are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

(A) Reporting Entity

The Township of McMillan operates with an elected Board of Trustees. The governing board is composed of five elected members, which include the supervisor, treasurer, and clerk. The Township provides its residents services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning and general administrative services. The accompanying financial statements present the government and its component units for which the government is considered to be financially accountable.

(B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not

properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable-Property Taxes

The Township of McMillan's property tax is levied on each December 1st on the taxable value of property (as defined by state statutes) located in the Local Governmental Unity as of the preceding December 31st .

The 2004 taxable valuation of the Local Governmental Unit totaled \$10,097.507 on which ad valorem taxes levied consisted of 5.2162 mills for the Local Governmental Unit operating purposes. The amounts are recognized in the General Fund.

The government reports the following major Governmental Fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(D) Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	25 years
Water and Sewer Lines	50 to 75 years
Vehicles	8 years
Office Equipment	5 years
Computer Equipment	5 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned by unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary, fiduciary fund financial statements and the governmental funds.

Long-Term Obligations-In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. The fact amount of debt issued is reported as other financing sources.

Fund Equity-In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgeting Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end.

The Supervisor, with the help of the Clerk and the Treasurer, prepares the proposed budget for presentation to the Township Board during March for the fiscal year beginning on April 1. Budget hearings are scheduled in March to obtain taxpayer comments. The Budget is adopted by the Township Board prior to April 1.

The general fund revenues and expenditures are accounted for in accordance with the adopted budget.

Formal budgets are not required for the operations of the propriety fund types but revenues and expenditures are related to budgetary estimates on an informal basis to achieve objectives.

Excess of Expenditures Over Appropriation in Budgeted Funds
In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township of these budgetary funds were adopted to the activity level.

The Township has not complied with all the provisions of P.A. 621 of 1978.

The Act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget. Budget variances of this nature which are material are shown in the body of the financial statements.

NOTE 3 - WATER SUPPLY SYSTEM REVENUE BONDS

The construction and installation in 1974 of a domestic water system servicing the community of Ewen was financed by the issuance and sale of \$195,000 1974 Water Supply System Revenue bonds and by an \$85,000 grant from the Farmers Home Administration. Principal and interest are payable from the income and revenues derived from operation of the water supply system.

The unamortized cost of the original water supply system has not been recorded on the books of account because the amount is not determinable but it is believed to be nominal.

Data relevant to water fund revenue bonds at March 31, 2005, were as follows:

Date of issue - 1974
Amount of original issue - \$195,000
Outstanding at March 31, 2005 - \$64,000
Interest rate - 5%
Interest dates - January 1 and July 1
Principal payment date - January 1
Payments on principal during year ended March 31, 2006
- \$8,000

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Amount Payable Each Year</u>	<u>Total</u>
2006	8,000	\$ 8,000
2007-2013	8,000	<u>56,000</u>
		\$64,000

Under a revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2005:

	<u>Required Reserve at March 31, 2005</u>	<u>Balance at March 31, 2005</u>
Bonds and Interest		
Redemption Fund	\$11,450	\$19,943
General Purpose Account	\$10,000	\$28,266

NOTE 4 - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

In 1996 the Township began construction work on improvements to the water supply system. The improvements were financed by the issuance of Revenue Bonds totaling \$283,000 and a grant of \$846,000 from Rural Economic Development of the U.S. Department of Agriculture.

Data relative to the 1996 Water Supply System Junior Lien Revenue Bonds at March 31, 2005:

Date of Issue: June 20, 1996
 Amount of Original Issue: Series A 253,000
 Series B 30,000
 Total 283,000

Outstanding March 31, 2005: \$251,500
 Interest Rate: 4.5%
 Interest Dates: June 1 and December 1
 Principal Payment Dated: December 1
 Payment on principal during year ended March 31, 2006:
 Series A 4,000
 Series B 500

Bonds are subject to redemption prior to maturity on any interest payment date in reverse numeric order.

These bonds are self liquidation bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended <u>March 31</u>	Principal		<u>Interest</u>	<u>Total</u>
	<u>Series A</u>	<u>Series B</u>		
2006	4,000	500	11,317	15,817
2007	4,000	500	11,115	15,615
2008	4,000	500	10,912	15,412
2009	4,000	500	10,710	15,210
2010	4,000	500	10,507	15,007
2011	4,000	500	10,305	14,805
2012	4,000	500	10,103	14,603
2013	4,000	500	9,900	14,400
2014	5,000	500	9,697	15,197
2015	5,000	500	9,450	14,950
2016	5,000	500	9,203	14,703
2017	5,000	500	8,955	14,455
2018	5,000	1,000	8,707	14,707
2019	7,000	1,000	8,438	16,438
2020	7,000	1,000	8,077	16,077
2021	8,000	1,000	7,718	16,718
2022	8,000	1,000	7,312	16,312
2023	8,000	1,000	6,908	15,908
2024	8,000	1,000	6,502	15,502
2025	8,000	1,000	6,098	15,098
2026	8,000	1,000	5,692	14,692
2027	9,000	1,000	5,288	15,288
2028	9,000	1,000	4,837	14,837
2029	10,000	1,000	4,388	15,388
2030	10,000	1,000	3,892	14,892
2031	10,000	1,000	3,398	14,398
2032	11,000	1,000	2,902	14,902
2033	11,000	1,000	2,363	14,363
2034	12,000	1,000	1,823	14,823
2035	12,000	1,000	1,238	14,238
2036	13,000	1,500	652	15,152
Totals	<u>226,000</u>	<u>25,500</u>	<u>218,407</u>	<u>469,907</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2005:

	Required Reserve March 31, 2005	Balance March 31, 2005
Junior Lien Bonds Bond and Interest Redemption Fund	\$3,954	\$3,884
Junior Lien Bonds Reserve Fund	\$15,401	\$10,406

NOTE 5 - SEWAGE DISPOSAL BONDS

On April 9, 1998 McMillan Township issued Sanitary Sewage Disposal System Revenue Bonds, Series 1998. Data relevant to the bonds is as follows:

Date of Issue: April 9, 1998
Amount of original issues: \$100,000
Outstanding March 31, 2005 \$ 93,000
Interest Rate: 4.75%
Interest payment dates: March 1 and September 1
Principal payment date: March 1
Payment on principal
during year ended March 31, 2006: \$1,000

This bond is subject to redemption prior to maturity on any interest payment date in inverse chronological order.

This is a self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,000	4,417	5,417
2007	1,000	4,370	5,370
2008	1,000	4,323	5,323
2009	1,000	4,275	5,275
2010	2,000	4,227	6,227
2011	1,000	4,133	5,133
2012	2,000	4,085	6,085
2013	1,000	3,990	4,990
2014	2,000	3,942	5,942
2015	2,000	3,848	5,848
2016	2,000	3,752	5,752
2017	2,000	3,658	5,658
2018	2,000	3,562	5,562
2019	2,000	3,468	5,468
2020	2,000	3,372	5,372
2021	3,000	3,278	6,278
2022	2,000	3,135	5,135
2023	3,000	3,040	6,040
2024	3,000	2,897	5,897

2025	3,000	2,755	5,755
2026	3,000	2,613	5,613
2027	3,000	2,470	5,470
2028	3,000	2,327	5,327
2029	4,000	2,185	6,185
2030	3,000	1,995	4,995
2031	4,000	1,853	5,853
2032	4,000	1,662	5,662
2033	4,000	1,473	5,473
2034	5,000	1,282	6,282
2035	4,000	1,045	5,045
2036	5,000	855	5,855
2037	5,000	618	5,618
2038	<u>8,000</u>	<u>380</u>	<u>8,380</u>
TOTALS	<u>\$93,000</u>	<u>\$ 95,285</u>	<u>\$188,285</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2005.

	Required Reserve <u>March 31, 2005</u>	Balance <u>March 31, 2005</u>
Interest Redemption Fund	\$ 1,354	\$1,402
Bond Reserve Fund	\$ 4,050	\$2,250

NOTE 6 - SEWAGE DISPOSAL JUNIOR LIEN BONDS

In 2003 the Township began work on improvements to the sewage disposal system. The improvements were financed by the issuance of Revenue Bonds totaling \$464,000 and a grant of \$1,028,000 from Rural Development of the U.S. Department of Agriculture. Data relative to the 2003 Sanitary Sewage Disposal System Junior Lien Bonds at March 31, 2005:

Date of Issue: June 25, 2003
 Amount of Original Issue: Series A \$414,000
 Series B 50,000
 Total \$464,000
 Outstanding March 31, 2005: \$459,500
 Interest Rate: 4.5%
 Interest Dates: June 1 and December 1
 Principal Payment Dated: June 1
 Payment on principal during year ended March 31, 2006
 Series A \$4,000
 Series B \$ 500

Bonds are subject to redemption prior to maturity in reverse numeric order.

These bonds are self liquidating bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended	Principal		Interest	Total
<u>March 31</u>	<u>Series A</u>	<u>Series B</u>		
2006	4,000	500	20,678	25,178
2007	4,000	500	20,476	24,976
2008	4,000	500	20,274	24,774
2009	5,000	600	20,070	25,670
2010	5,000	600	19,820	25,420
2011	5,000	600	19,566	25,166
2012	5,000	600	19,316	24,916
2013	5,000	700	19,062	24,762
2014	6,000	700	18,808	25,508
2015	6,000	700	18,506	25,206
2016	6,000	800	18,204	25,004
2017	7,000	800	17,898	25,698
2018	7,000	800	17,546	25,346
2019	7,000	900	17,196	25,096
2020	7,000	900	16,840	24,740
2021	8,000	1,000	16,486	25,386
2022	8,000	1,000	16,084	25,084
2023	9,000	1,000	15,680	25,680
2024	9,000	1,100	15,228	25,328
2025	9,000	1,100	14,776	24,876
2026	10,000	1,200	14,320	25,520
2027	10,000	1,200	13,816	25,016
2028	11,000	1,300	13,312	25,612
2029	11,000	1,300	12,760	25,060
2030	12,000	1,400	12,204	25,604
2031	12,000	1,500	11,602	25,102
2032	13,000	1,500	10,994	25,494
2033	13,000	1,600	10,342	24,942
2034	14,000	1,700	9,684	25,384
2035	14,000	1,700	8,978	24,678
2036	15,000	1,800	8,272	25,072
2037	16,000	1,900	7,516	25,416
2038	17,000	2,000	6,712	25,712
2039	17,000	2,100	5,856	24,956
2040	18,000	2,200	4,996	25,196
2041	19,000	2,300	4,088	25,388
2042	20,000	2,400	3,128	25,528
2043	21,000	2,500	2,120	25,620
2044	21,000	2,500	1,064	24,664
Totals	410,000	49,500	524,278	983,778

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2005:

	Required Reserve March 31, 2005	Balance March 31, 2005
Bond Reserve Account	\$ 6,050	\$3,450
Repair, Replacement and Improvement Fund	\$ 9,025	\$2,325

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$25,047	Sewer	\$ 6,603
Water	19,116	Tax	25,047
Sewer		Water	
Special Revenue		General	12,513
	<u>\$ 44,163</u>		<u>\$ 44,163</u>

NOTE 8 - PUBLIC ACT 275 OF 1980 DISCLOSURE

As of March 31, 2005 the Township General Fund has a deficit of \$8,806. The Township will be filing a deficit elimination plan with the Michigan Department of Treasury.

NOTE 9 - LEGAL NON-COMPLIANCE/VIOLATION OF FINANCE RELATED PROVISIONS

The Township has not provided for the funding of the following reserved accounts for the water and sewer funds as of March 31, 2005.

<u>Purpose</u>	<u>Required Amount</u>	<u>Actual Balance</u>
1996 Water Supply- Interest Redemption Fund	\$ 3,954	\$ 3,884
Bond Reserve Fund	\$15,401	\$10,406
1998 Sanitary Sewer Bond Reserve Fund	\$ 4,050	\$ 2,250
2003 Sanitary Sewer Bond Reserve Account	\$ 6,050	\$ 3,450
Repair, Replacement and Improvement	\$ 9,025	\$ 2,325

NOTE 10 - CAPITAL ASSETS

Capital Asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$			\$
Construction in Progress				
Subtotal				
Capital Assets Being Depreciated				
Buildings	12,173			12,173
Improvements Other Than Buildings				
Machinery & Equipment	172,903			172,903
Infrastructure				
Subtotal	185,076			185,076
Less Accumulated Depreciation for				
Buildings	2,463	487		2,950
Improvements Other Than Buildings				
Machinery & Equipment	59,334	10,744		70,078
Infrastructure				
Subtotal	61,797	11,231		73,028
Net Capital Assets	123,279	11,231		112,048
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$			
Construction in Progress				
Subtotal				
Capital Assets				
Buildings	\$24,042			24,042
Improvements Other Than Buildings				
Machinery & Equipment	58,685			58,685
Infrastructure	3,556,569			3,663,068
Subtotal	3,639,296			3,745,795
Less Accumulated Depreciation for				
Buildings	(3,055)	(601)		(3,656)
Improvements Other Than Buildings				
Machinery & Equipment	(15,291)	(5,850)		(21,141)
Infrastructure	(598,136)	(77,831)		(675,967)
Subtotal	(616,482)	(84,282)		(700,764)
Net Capital Assets Being Depreciated	3,022,814	(22,217)		3,045,031

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 690
Public Safety	7,895
Public Works	402
Economic Development	2,244
Recreation and Culture	
Total Governmental Activities	<u>\$11,231</u>

Business-Type Activities	
Water	40,775
Sewer	<u>43,507</u>
Total Business-Type Activities	<u>\$84,282</u>

NOTE 10 - PROPRIETARY FUND-TYPE CASH

The cash balance for enterprise funds includes \$43,660 in bond and interest redemption accounts and \$28,266 in a General Purpose account. The accounts are restricted for payment of revenue bond principle, interest and expenses.

NOTE 11 - DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes McMillan Township of Ewen to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

McMillan Township of Ewen has designated one bank for the deposit of funds. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board statement No.3 risk disclosures for the Township's cash deposits are as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured - FDIC	169,701	177,495	All Funds
Uninsured - Uncollateralized	<u>59,983</u>	<u>68,166</u>	All Funds
	229,684	245,661	

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds, a Water Fund and a Sewer Fund. Segment information for the year ended March 31, 2005 was as follows:

Enterprise

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Fund Totals</u>
Operating revenues	\$ 70,238	\$ 64,002	\$134,240
Depreciation expense	40,775	43,507	84,282
Operating income (loss)	(5,439)	(19,674)	(25,113)
Restricted donations & operating grants	-0-	-0-	-0-
Operating transfers in (out)	-0-	-0-	-0-
Tax revenues	-0-	-0-	-0-
Increase (decrease) in retained earnings	(4,293)	61,881	57,588
Current capital contributions	-0-	-0-	-0-
Land, buildings & equip: Additions	-0-	72,499	72,499
Deletions	-0-	-0-	-0-
Net increase(decrease) in cash flows	16,038	(24,027)	(7,989)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise Fund Totals</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	315,500	552,500	868,000
Retained earnings	1,021,065	1,387,936	2,409,001

NOTE 13 - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$ 1,660	\$ 0	\$ 1,660
Water Fund	23,120	0	23,120
Sewer Fund	<u>21,687</u>	<u>0</u>	<u>21,687</u>
	\$46,467	\$ 0	\$46,467

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Camp Lease Payments		\$1,875

NOTE 14 - PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

The Township does not cover any employees under a pension plan. No township employees are eligible for postemployment benefits other than pension benefits, and the township does not have a deferred compensation plan for any of its employees.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - CHANGES IN LONG TERM DEBT - ALL FUNDS

Long Term Debt - All Funds	2004	2005	Change
Current Portion	\$18,000	\$ 18,000	
Non Current Portion	<u>868,000</u>	<u>850,000</u>	(<u>18,000</u>)
Total	\$886,000	\$868,000	(\$18,000)

NOTE 17 - ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR THE GOVERNMENTAL BOND & NOTE OBLIGATIONS ARE AS FOLLOWS:

	Governmental Activities			Business Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006			\$18,000		\$39,512	\$57,512
2007			18,000		38,661	56,661
2008			18,000		37,809	55,809
2009			19,100		36,955	56,055
2010			20,100		36,054	56,154
2011-2015			86,800		166,811	253,611
2016-2020			81,200		148,876	230,076
2021-2025			107,200		127,897	235,097
2026-2030			127,400		102,099	229,499

2031-2035	156,000	70,639	226,639
2036-2040	125,500	35,857	161,357
2041-2045	<u>90,700</u>	<u>10,400</u>	<u>101,100</u>
TOTAL	\$868,000	\$851,570	\$1,719,570

NOTE 18 - ACCOUNTING CHANGE

The Township has been amortizing construction grants for water and sewer construction projects (called Contributions in the Aid of Construction) against depreciation expense thus reducing depreciation expense. This is not a generally accepted accounting principle so for the 2004-2005 fiscal year this amortization was eliminated and the balance in the Contribution in Aid of Construction was adjusted to beginning retained earnings. Detailed below are the changes made:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Retained Earnings 4-01-2005 \$	246,104	\$ 138,298	\$ 384,402
Before Restatement			
Add: Cumulative effect of change in accounting principles	779,254	1,187,757	1,967,011
Retained Earnings 4-01-2005 \$	1,025,358	\$1,326,055	\$2,351,413
After Restatement			

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MCMILLAN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended March 31, 2005

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$46,000	\$70,190	\$24,190
Licenses and permits		2,387	2,387
State grants	32,500	54,725	22,225
Charges for services	1,000	1,501	501
Interest and rentals	500	550	50
Other	23,000	23,730	730
TOTAL REVENUES	103,000	153,083	50,083
EXPENDITURES			
Legislative	2,200	1,800	400
General government	55,000	46,989	8,011
Public safety	24,000	17,377	6,623
Public works	45,000	30,156	14,844
Health and welfare			
Culture and recreation	35,000	36,962	(1,962)
Capital outlay			
Debt service			
Other	20,000	13,210	6,790
TOTAL EXPENDITURES	181,200	146,494	34,706
EXCESS OF REVENUES (EXPENDITURES)	(78,200)	6,589	84,789
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
Transfers to other funds			
Retirement of debt			
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(78,200)	6,589	84,789

BUDGETARY COMPARISON SCHEDULE
Year ended March 31, 2005

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
FUND BALANCE APRIL 1, 2004	(\$15,395)	(\$15,395)	
PRIOR PERIOD ADJUSTMENTS			
Prior period adjustment for interfund billing			
Correction to prior period amounts due from other funds			
FUND BALANCE MARCH 31, 2005	(\$93,595)	(\$8,806)	\$84,789

The notes to financial statements are an integral part of these statements.

OTHER
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF McMILLAN
DETAIL OF REVENUES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes:			
Current Property Taxes:			
Real and Personal		\$52,052	
Commercial Forest Reserve		77	
Payment in Lieu of Tax		12,062	
		64,191	
Delinquent Property Taxes:			
Real and Personal		295	
Property Tax Administration Fees		5,704	
	\$46,000	\$70,190	\$24,190
Building Permits		2,387	2,387
State Grants:			
Revenue Sharing		48,689	
Library Aid		3,615	
Liquor Enforcement		426	
Right of Way Funds		1,995	
	34,000	54,725	20,725
Federal Grants:			
Fire Truck			
Charges for Services:			
Lewis Jensen Cemetery Trust Fund		401	
Fire Department		700	
Cemetery		400	
Library			
Miscellaneous			
		1,501	1,501
Library Penal Fines	20,000	20,234	234
Interest and Rents:			
Interest Earned			
Rents		550	
		\$550	\$550

TOWNSHIP OF McMILLAN
 DETAIL OF REVENUES -BUDGETAND ACTUAL (CONT.)
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues:			
Library Contributions			
Reimbursements		2,120	
Miscellaneous		1,376	
	3,000	3,496	496
TOTAL REVENUES	103,000	153,083	50,083
Other Financing Source - Operating Transfers in			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$103,000	\$153,083	\$50,083

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
LEGISLATIVE			
Township Board:			
Salaries and Fringes		\$1,800	
Supplies			
Contracted Services			
Advertising			
Insurance			
Miscellaneous			
TOTAL LEGISLATIVE	\$2,200	1,800	\$400
<hr/>			
GENERAL GOVERNMENT			
Supervisor:			
Salary and Fringes		6,478	
Mileage		600	
Telephone			
	7,200	7,078	122
Assessor:	8,000	7,543	457
Clerk:			
Salary and Fringes		8,650	
Office Supplies		220	
Telephone		629	
Travel		629	
Insurance and Bonds			
Capital Outlay			
	13,000	10,128	2,872
Treasurer:			
Salary and Fringes		7,028	
Office Supplies		530	
Printing and Publishing		624	
Travel		600	
Contracted Services		1,850	
	10,800	10,632	168
Board of Review:	3,000	831	2,169

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Townhall:			
Salaries, Wages and Fringes		2,105	
Contracted Services			
Supplies		126	
Insurance			
Utilities		1,754	
Copy Machine Expense			
Miscellaneous			
Capital Outlay			
	5,000	3,985	1,015
Elections:	3,000	2,948	52
Attorney:			
Cemetery:			
Wages and Fringes		1,137	
Operating Supplies		1,815	
Repairs and Maintenance			
Insurance			
Contracted Services		892	
Miscellaneous			
	5,000	3,844	1,156
TOTAL GENERAL GOVERNMENT	55,000	46,989	8,011
PUBLIC SAFETY			
Fire Department:			
Salaries, Wages and Fringes		3,186	
Operating Supplies		1,174	
Telephone		975	
Utilities		4,149	
Insurance		653	
Travel			
Hydrant Rental		3,600	
Repairs and Maintenance		13	
Capital Outlay			
	20,000	13,750	6,250

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
<hr/>			
PUBLIC SAFETY (CONTINUED)			
Building Inspector:	2,500	2,477	23
Liquor Law Enforcement:	1,500	1,150	
Zoning Board:			0
<hr/>			
TOTAL PUBLIC SAFETY	24,000	17,377	6,623
<hr/>			
PUBLIC WORKS			
Department of Public Works:			
Wages and Fringes		5,515	
Supplies		236	
Contracted Services		3,783	
Transportation		2,150	
Insurance		4,312	
Utilities		311	
Miscellaneous		162	
Capital Outlay			
<hr/>			
Total Dept of Public Works:	18,000	16,469	1,531
Roads and Bridges:	15,000	4,116	10,884
Garbage Removal:	2,000	1,290	710
Street Lighting:	10,000	8,281	1,719
<hr/>			
TOTAL PUBLIC WORKS	45,000	30,156	14,844
<hr/>			
RECREATION AND CULTURAL			
Senior Citizens Center:			
Repairs and Maintenance Supplies		48	
Utilities		6,165	
<hr/>			
	10,000	6,213	3,787

TOWNSHIP OF McMILLAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES - BUDGET AND ACTUAL
Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
RECREATION AND CULTURAL (CONTINUED)			
Library:			
Salaries, Wages and Fringes		14,446	
Contracted Services		2,258	
Supplies		2,600	
Books and Subscriptions		6,193	
Travel		440	
Utilities		3,521	
Capital Outlay			
Insurance		489	
Telephone		802	
Miscellaneous			
	25,000	30,749	(5,749)
TOTAL RECREATION AND CULTURAL	35,000	36,962	(1,962)
OTHER FUNCTIONS			
General Labor-FICA		4,195	
Insurance-Hospitalization Insurance		9,015	
Other			
TOTAL OTHER FUNCTIONS	20,000	13,210	6,790
TOTAL EXPENDITURES	\$181,200	\$146,494	\$34,706

COMBINING BALANCE SHEET - ENTERPRISE FUNDS
TOWNSHIP OF McMILLAN

	March 31, 2005			March 31, 2004		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
	ASSETS			ASSETS		
CURRENT ASSETS						
Cash:						
Demand Deposits and Savings	\$94,430	\$21,874	116,304	\$78,760	\$45,901	\$124,661
Customer Accounts Receivable:						
Current	13,170	14,060	27,230	12,135	11,990	24,125
Delinquent	7,846	7,627	15,473	4,673	4,617	9,290
Other	2,104		2,104	1,715	1,715	3,430
Due from Other Funds	19,116		19,116	16,861		16,861
TOTAL CURRENT ASSETS	136,666	43,561	180,227	114,144	64,223	178,367
UTILITY PLANT IN SERVICE	1,551,747	2,194,048	3,745,795	1,551,746	2,087,549	3,639,295
Less Allowance for Depreciation	408,820	291,944	700,764	368,044	248,437	616,481
	1,142,927	1,902,104	3,045,031	1,183,702	1,839,112	3,022,814
Construction in Progress					34,000	34,000
	1,142,927	1,902,104	3,045,031	1,183,702	1,873,112	3,056,814
OTHER ASSETS						
Restricted Cash:						
Bond Reserve Account	34,233	9,427	43,660	34,081	9,427	43,508
General Purpose Account	28,266		28,266	28,050		28,050
	62,499	9,427	71,926	62,131	9,427	71,558
TOTAL ASSETS	\$1,342,092	\$1,955,092	\$3,297,184	\$1,359,977	\$1,946,762	\$3,306,739

COMBINING BALANCE SHEET - ENTERPRISE FUNDS (CONTINUED)
TOWNSHIP OF McMILLAN

	March 31, 2005			March 31, 2004		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
	LIABILITIES			LIABILITIES		
CURRENT LIABILITIES						
Revenue Bonds Payable						
Accounts Payable	\$955	\$792	\$1,747	\$1,804	\$38,208	\$40,012
Payroll and Related Withholdings				75	118	193
Interest	4,572	7,261	11,833	4,740	7,520	12,260
Due General Fund						
Due to Water Fund		6,603	6,603		16,861	16,861
Deferred Revenue						
Current Maturity/Long-Term Debt	12,500	5,500	18,000	12,500	5,500	18,000
TOTAL CURRENT LIABILITIES	18,027	20,156	38,183	19,119	68,207	87,326
LONG-TERM DEBT						
Note Payable to Bank						
Revenue Bonds Payable	315,500	552,500	868,000	328,000	558,000	886,000
	315,500	552,500	868,000	328,000	558,000	886,000
Less Amt.Classif./Current Liab.	12,500	5,500	18,000	12,500	5,500	18,000
	303,000	547,000	850,000	315,500	552,500	868,000
	FUND EQUITY			FUND EQUITY		
CONTRIBUTIONS/AID OF CONSTRUCTION						
Capital Grants				971,000	1,292,499	2,263,499
Less Amt.Amortized/Operations				194,606	124,615	319,221
				776,394	1,167,884	1,944,278
Township's Contribution				2,860	19,873	22,733
				779,254	1,187,757	1,967,011
RETAINED EARNINGS (DEFICIT)	1,021,065	1,387,936	2,409,001	246,104	138,298	384,402
TOTAL LIABILITIES AND EQUITY	\$1,342,092	\$1,955,092	\$3,297,184	\$1,359,977	\$1,946,762	\$3,306,739

COMBINING STATEMENT OF REVENUES, EXPENSES AND
ENTERPRISE
TOWNSHIP OF

	Year Water Fund	ended March 31, 2005 Sewer Fund	Total
Operating Revenues:			
Charges to Customers	\$66,638	\$64,002	\$130,640
Hydrant Rental	3,600		3,600
Other			
	70,238	64,002	134,240
Operating Expenses:			
Salaries and Wages	8,745	10,154	18,899
Employee Benefits	675	786	1,461
Supplies	5,093	979	6,072
Repairs	1,810	7,343	9,153
Outside Services	6,576	3,037	9,613
Utilities	3,582	5,985	9,567
Provision for Depreciation	40,775	43,507	84,282
Insurance and Bonds	5,520	8,591	14,111
Collection Fees	47	47	94
Travel	210		210
Other	2,644	3,247	5,891
	75,677	83,676	159,353
OPERATING INCOME (LOSS)	(5,439)	(19,674)	(25,113)
Other Income:			
Interest Earned	385	40	425
Equipment Reimbursement	15,713		15,713
Construction Grant		106,500	106,500
	16,098	106,540	122,638
	10,659	86,866	97,525
Other Deduction - Interest on Long-Term Debt	14,952	24,985	39,937
NET INCOME (LOSS)	(4,293)	61,881	57,588
Add deprec. on utility plant assets acquired by extern. restricted grants			
INCREASE (DECREASE) IN RETAINED EARNINGS	(4,293)	61,881	57,588
Retained earnings beginning of year, Before Restatement	246,104	138,298	384,402
Add: Cumulative Effect of a Change in Accounting Principles	779,254	1,187,757	1,967,011
RETAINED EARNINGS AFTER RESTATEMENT	1,025,358	1,326,055	2,351,413
RETAINED EARNINGS AT YEAR END	\$1,021,065	\$1,387,936	\$2,409,001

CHANGES IN RETAINED EARNINGS		
FUNDS		
McMILLAN		

Year ended March 31, 2004		
Water	Sewer	
Fund	Fund	Total

\$69,639	\$62,477	\$132,116
3,600		3,600

73,239	62,477	135,716
8,026	10,011	18,037
614	766	1,380
8,147	1,315	9,462
4,261	2,188	6,449
5,712	2,289	8,001
4,138	8,480	12,618
40,635	16,679	57,314
4,266	4,244	8,510
74	82	156
22	500	522
1,522	165	1,687

77,417	46,719	124,136

(4,178)	15,758	11,580
368	41	409

368	41	409

(3,810)	15,799	11,989
15,547	19,000	34,547

(19,357)	(3,201)	(22,558)
23,650	9,139	32,789

4,293	5,938	10,231
241,811	132,360	374,171

\$246,104	\$138,298	\$384,402
=====	=====	=====

	Year ended March 31, 2005		
	Water Fund	Sewer Fund	Total
Cash Flows / Operating Activities:			
Cash Received from Customers	\$65,641	\$60,637	\$126,278
Hydrant Rental			
Other Income			
Payments to suppliers	(26,574)	(67,022)	(93,596)
Payments to employees	(9,420)	(10,940)	(20,360)
Internal Activity-Payments to other funds	(2,255)	(10,258)	(12,513)
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,392	(27,583)	(191)
Cash Flows from Capital and Related Financing Activities:		106,500	106,500
Construction Grant			
Proceeds from Borrowing			
Principal Paid on Revenue Bonds			
Principal Paid on Note Payable			
Principal and Interest on Long Term Debt	(27,452)	(30,485)	(57,937)
Construction on Utility Plant		(72,499)	(72,499)
Equipment Reimbursement	15,713		15,713
NET CASH FROM (USED FOR) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(11,739)	3,516	(8,223)
Cash Flows from Investing Activities -			
Interest Earned	385	40	425
NET INCREASE (DECREASE) IN CASH	16,038	(24,027)	(7,989)
Cash at Beginning of Year	140,891	55,328	196,219
CASH AT END OF YEAR	\$156,929	\$31,301	\$188,230
Balance Sheet Classifications of Cash and Cash Equivalents			
Demand Deposits and Savings	\$94,430	\$9,427	\$103,857
Restricted Assets	62,499	\$21,874	84,373
TOTAL CASH AND CASH EQUIVALENTS	\$156,929	\$31,301	\$188,230

- ENTERPRISE McMILLAN		FUNDS	
Year ended March 31, 2004			
Water Fund	Sewer Fund	Total	
\$127,496 3,600	\$61,128	\$188,624 3,600	
(27,329)	(81,553)	(\$108,882)	
103,767	(20,425)	83,342	
	912,361	912,361	
	464,000	464,000	
(12,500)	(1,000)	(13,500)	
(15,547)	(19,000)	(34,547)	
(11,265)	(1,302,700)	(1,313,965)	
(39,312)	53,661	14,349	
368	41	409	
64,823	33,277	98,100	
76,068	22,051	98,119	
\$140,891	\$55,328	\$196,219	
\$78,760 62,131	\$45,901 9,427	\$124,661 71,558	
\$140,891	\$55,328	\$196,219	

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2005		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(5,439)	(19,674)	(25,113)
Adjustments to Reconcile Operating Income(Loss)to Net Cash Provided by Operating Activities:			
Depreciation	40,775	43,507	84,282
Change in Assets and Liabilities			
Customer Accounts Receivable	(4,597)	(3,365)	(7,962)
Due from Other Funds	(2,255)		(2,255)
Accounts Payable	(1,092)	(37,793)	(38,885)
Payroll & Related Withholdings			
Due Other Funds/Interfund adjustment		(10,258)	(10,258)
Deferred Revenue			
Interest Payable			
Decrease in Construction in Progress			
Total Adjustments	32,831	(7,909)	24,922
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$27,392	(\$27,583)	(\$191)

ENTERPRISE McMILLAN	FUNDS	(CONTINUED)
Year ended March 31, 2004		
Water Fund	Sewer Fund	Total
(4,178)	15,758	11,580
40,635	16,679	57,314
3,199	(1,349)	1,850
62,903	873	63,776
1,410	28,759	30,169
(27)	64	37
	(88,353)	(88,353)
(175)	7,144	6,969
107,945	(36,183)	71,762
\$103,767	(\$20,425)	\$83,342
=====	=====	=====

TOWNSHIP OF MCMILLAN
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
March 31, 2005

	Trust Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$16,407	\$25,047	\$41,454
TOTAL ASSETS	\$16,407	\$25,047	\$41,454
LIABILITIES			
Due to Other Funds		\$25,047	\$25,047
Fund Balance	\$16,407		\$16,407
TOTAL LIABILITIES AND EQUITY	\$16,407	\$25,047	\$41,454

**Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Supervisor and Members of the Board
Township of McMillan
Ewen, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of McMillan as of and for the year ended March 31, 2005, which collectively comprise the Township of McMillan's basic financial statements and have issued my report thereon dated September 25, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Township of McMillan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted matters involving internal control over financial reporting that I have reported to management of the Township of McMillan in a separate letter dated September 25, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Ironwood's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J. J. Tanzi".

Certified Public Accountant
Bergland, Michigan
September 25, 2005

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, MI 49925

COMMENTS AND RECOMMENDATIONS LETTER

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

In connection with my audit of the financial statements of McMillan Township for the year ended March 31, 2005, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

General Fund Deficit

As of March 31, 2005 the Township has a General Fund budget deficit of \$8,806. It will be necessary for the Township to prepare a deficit elimination plan for the Michigan Department of Treasury showing how it plans to eliminate this deficit. The deficit was reduced by \$6,589 during the 2004-2005 fiscal year.

Budgets

The current Township budget is not prepared in sufficient detail to facilitate budgetary control. The Township should prepare a more detailed budget to enhance budgetary control, monitor the budget throughout the year and amend it when necessary. This is a repeat comment from prior audits.

Reserve Accounts

The Water and Sewer Funds are required to maintain various reserve accounts to satisfy bond indenture requirements. There are minor instances of noncompliance as detailed in the notes to the financial statements. The Township should more carefully monitor these deposit requirements to insure compliance with these bond indenture requirements. This is also a repeat comment from prior audits.

Township Accounting System

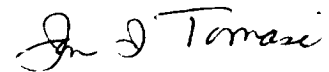
As recommended in last years comments and recommendations letter the township has made progress in establishing a general ledger system and has recorded revenue and expenditure transactions as well as some balance sheet transactions. We recommend the township continue their efforts in this area and to include all balance sheet accounts including cash accounts. Also, cash accounts should be reconciled monthly to the general ledger balances.

Utility Billings and Receivables

Monthly billing and receivables reports should be prepared and saved monthly to document utility balances for the year. Billing and receivable information was not available for each month and the same reports should be available for each period.

I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended solely for the use of management and other governmental regulatory agencies and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "J. J. Tomasi".

September 25, 2005

Certified Public Accountant